LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7696
BILL NUMBER: HB 1813

NOTE PREPARED: Feb 27, 2003
BILL AMENDED: Feb 26, 2003

SUBJECT: Indigent Health Care.

FIRST AUTHOR: Rep. Crawford
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **X** **GENERAL**
X **DEDICATED**
X **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill amends various statutes concerning the following; (1) the funding and administration of the Hospital Care for the Indigent (HCI) program; (2) the implementation of the Uninsured Parents Program; (3) health records; and (4) the governing board of the Marion County Health and Hospital Corporation.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) *Property Tax Provisions:* The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school general fund levies attributable to all property and 20% of the portion of all operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead Credits are paid by the state in the amount of 20% of the net property tax due on owner-occupied residences.

If the HCI levy rises as a result of this bill, then the state's expense for PTRC and Homestead Credits would also increase. PTRC and Homestead Credits are paid from the Property Tax Relief Fund, which is annually supplemented by the state General Fund. Therefore, any additional PTRC or Homestead Credit payments would ultimately come from the state General Fund. The additional state expense is estimated at $1.9 M in CY 2005, or $650,000 in FY 2005. Future expenses depend on the amount of the claims-based levy under this bill for CY 2006 and beyond.

State Agency Provisions: This bill will require the Division of Family and Children to resume eligibility determination for the hospital claims component of the HCI Program. In addition to determining if individuals are financially and medically eligible for the HCI program, the Division will be required to resume receiving and processing HCI hospital claims through the Medicaid billing system in order to determine the amount payable under the Medicaid fee for service program. (Eligibility determination and payment of claims for emergency transportation and physician services are currently processed by the

Division.) The level of resources required to perform this current level of work is approximately $275,000 annually. Effective July 1, 2003, hospitals must file applications and claims for payment as prescribed by the Division. The Division estimates that an additional $325,000 will be necessary to process these additional claims. The Division funds administrative expenses from the State Hospital Care for the Indigent Fund. This cost is not eligible for federal financial participation (FFP).

The bill specifies how the Division is to pay providers by type of claim and from which dedicated fund. The bill also specifies that all hospital payments are to be made as Medicaid add-on payments before December 15, following the end of the state fiscal year. The bill specifies how the Division is to determine the amount of payments to all provider types in the event the total amount in the county Hospital Care for the Indigent Fund is not sufficient to pay all claims attributable to the county.

The bill specifies that county Hospital Care for the Indigent funds are to be transferred to the state Hospital Care for the Indigent Fund. Funds calculated to be necessary for the payment of physicians and emergency transportation providers are to remain in, and be paid from, the state HCI Fund. Moneys calculated to be necessary for the payment of hospital claims are to be transferred to the Medicaid Indigent Care Trust Fund. This is the source of the funds necessary to provide the nonfederal share of the Medicaid hospital add-on payments, approximately 38% of the total amount paid. The bill specifies that the remaining 62% of the money transferred to the Medicaid Indigent Care Trust Fund is available first for any additional HCI hospital Medicaid add-on payments that are necessary as a result of a shortage of county Hospital Care for the Indigent funds in comparison to total hospital claims payable. An additional distribution formula provides $21.7 M for the Office of Medicaid Policy and Planning to use as the nonfederal match for Disproportionate Share Hospital (DSH) distributions. Any funds remaining after all HCI hospital claims have been satisfied and the DSH transfer of $21.7 M has been made are available for transfer to the state Uninsured Parents Program Fund to be used for the nonfederal share of payments for the state Uninsured Parents Program. If the funding is not sufficient to provide the full nonfederal share necessary to implement the Uninsured Parents Program, the funds are to be used for DSH distributions as specified.

Uninsured Parents Program Fund: The bill also establishes the state Uninsured Parents Program Fund. This fund is allowed to receive transfers from the Medicaid Indigent Care Trust Fund as well as an advance from the state General Fund in anticipation of property tax revenue to be transferred from the Medicaid Indigent Care Trust Fund. The bill also changes the financial eligibility standard for the Uninsured Parents Program from 100% of the federal poverty level (FPL) to 80 % of the FPL. This represents a decrease in financial eligibility levels from $12,120 to $9,696 annually ($808 monthly) for a family of two.

Explanation of State Revenues: *Property Tax Provisions:* Under this proposal, revenues to the state HCI Fund would increase by about $8.2 M in CY 2005. The CY 2005 revenue increase is the result of this proposal's repeal of a reduction in HCI levies currently scheduled for 2005. Details are discussed below in *Explanation of Local Revenues*. The additional revenue on a fiscal year basis is estimated at $4.1 M in FY 2005. Future revenues depend on the amount of the claims-based levy under this bill for CY 2006 and beyond.

Explanation of Local Expenditures: (Revised) This bill increases the compensation for members of the governing board of the Marion County Health and Hospital Corporation to $1,200. The bill increases the additional annual compensation for the chairman of the board to $600 annually. The bill also makes other changes in the operating process of the board.

Governing Board, Marion County Health and Hospital Corporation: The governing board consists of seven members. The current annual reimbursement is $4,500 based on a rate of $600 per member per year with the chairman receiving an additional $300 per year. This bill will double the reimbursement expenditures. These payments are to be made quarterly from funds appropriated for that purpose in the regular budget of the Health and Hospital Corporation.

This bill also makes procedural changes regarding residency requirements and the filling of vacancies. These requirements are not expected to have a fiscal impact.

Explanation of Local Revenues: (Revised) *Property Tax Provisions:* Under current law, each county imposes an HCI property tax levy. The levy for each county increases each year by the statewide average assessed value growth quotient. The amount of the tax levy and the tax rate vary by county. Under current law, the CY 2005 HCI property tax levies are scheduled to be reduced by 10%, except in Lake and St. Joseph Counties where the levy will be reduced by $4 M and $1 M, respectively.

This proposal would eliminate the levy reductions in CY 2005 and then implement a new levy structure beginning in CY 2006 that would set the levy at the average amount of HCI claims paid in the county in the previous three fiscal years. These new levies would be limited to the 2002 HCI levy increased by the assessed value growth quotient for each county. In Marion County, beginning in 2007, the levy would be equal to the previous year's levy increased by the assessed value growth quotient for the county. This bill would increase the CY 2005 HCI property tax levy in all counties by a total of about $8.2 M by eliminating the currently scheduled reduction.

The bill requires the Division to process qualifying HCI claims for hospital, physician, and emergency transportation services. Each claim is to be assigned to the county of residence of the recipient of the service or, if the individual is not a resident of the state, to the county in which the person became in need of medical care. Not later than October 31, following the end of a state fiscal year, the Division is required to calculate the total amount of approved claims by provider type for each county and notify each county of the total amount of the approved claims. Within three days of the receipt of the notice, counties are required to transfer the lesser of either the total billed HCI claims or the amount on deposit in the county's Hospital Care for the Indigent Fund.

Governing Board, Marion County Health and Hospital Corporation Background: The Marion County Health and Hospital Corporation receives revenue from a variety of sources. The main source of revenue is property taxes. A total tax rate of $0.2631 per $100 assessed valuation resulted in a total of $74.5 M in CY 2002. The Corporation received an additional $8.4 M in other revenues for CY 2002, as well.

State Agencies Affected: Family and Social Services Administration, Division of Family and Children and the Office of Medicaid Policy and Planning.

Local Agencies Affected: County Hospitals and emergency transportation providers.

Information Sources: Local Government Database

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